

INSURANCE DIVISION[191]

Notice of Intended Action

Twenty-five interested persons, a governmental subdivision, an agency or association of 25 or more persons may demand an oral presentation hereon as provided in Iowa Code section 17A.4(1)"b."

Notice is also given to the public that the Administrative Rules Review Committee may, on its own motion or on written request by any individual or group, review this proposed action under section 17A.8(6) at a regular or special meeting where the public or interested persons may be heard.

Pursuant to the authority of Iowa Code sections 505.8, 508.36 and 508.37, the Iowa Insurance Division hereby gives Notice of Intended Action to adopt new Chapter 95, "Determining Reserve Liabilities for Preneed Life Insurance," Iowa Administrative Code.

The proposed rules in Chapter 95 designate the 1980 Commissioner Standard Ordinary (CSO) Mortality Table as the authority used to establish minimum reserves for preneed insurance. Iowa Code section 508.36 authorizes the Insurance Commissioner to adopt any mortality table adopted by the National Association of Insurance Commissioners. The National Association of Insurance Commissioners adopted the 1980 CSO Life Valuation Mortality Table for preneed life insurance products at its March 31, 2008, national meeting. All insurers selling preneed insurance policies are required to file policy forms with the 1980 CSO as the minimum standard by January 1, 2012.

This chapter does not provide for waivers.

Any interested person may make written comments on the proposed rules on or before July 22, 2008. Written comments may be sent to Matt Hargrafen, Iowa Insurance Division, 330 Maple Street, Des Moines, Iowa 50319. Comments may also be submitted electronically to matt.hargrafen@iid.state.ia.us or via facsimile to (515)281-3059.

A public hearing will be held at the office of the Insurance Division at 10 a.m. on July 22, 2008. The Division is located at 330 Maple Street, Des Moines, Iowa.

These rules are intended to implement Iowa Code section 508.36.

The following amendment is proposed.

Adopt the following **new** 191—Chapter 95:

CHAPTER 95

DETERMINING RESERVE LIABILITIES FOR PRENEED LIFE INSURANCE

191—95.1(508) Authority. This chapter is promulgated by the commissioner of insurance pursuant to Iowa Code sections 508.36 and 508.37.

191—95.2(508) Scope. These rules apply to preneed insurance, as defined in rule 95.4(508) of this chapter, and to similar policies and certificates.

191—95.3(508) Purpose. The purpose of this chapter is to establish for preneed insurance products minimum mortality standards for reserves and nonforfeiture values, and to require the use of the 1980 Commissioner Standard Ordinary (CSO) Life Valuation Mortality Table for use in determining the minimum standard of valuation of reserves and the minimum standard nonforfeiture values for preneed insurance products.

191—95.4(508) Definitions. For purposes of this chapter, the following definitions shall apply:

"2001 CSO Mortality Table" or "2001 CSO" means that mortality table, consisting of separate rates of mortality for male and female lives, developed by the American Academy of Actuaries CSO Task Force from the Valuation Basic Mortality Table developed by the Society of Actuaries Individual Life Insurance Valuation Mortality Task Force, and adopted by the NAIC in December 2002. The 2001 CSO Mortality Table is included in the Proceedings of the NAIC (2nd Quarter 2002). Unless the context

indicates otherwise, the “2001 CSO Mortality Table” includes both the ultimate form of that table and the select and ultimate form of that table and includes both the smoker and nonsmoker mortality tables and the composite mortality tables. It also includes both the age-nearest-birthday and age-last-birthday bases of the mortality tables.

“*Preneed insurance*” means any life insurance policy or contract or certificate that is issued in combination with, in support of, with an assignment to, or as a guarantee for a prearrangement agreement for goods and services to be provided at the time of and immediately following the death of the insured. Goods and services may include, but are not limited to, embalming, cremation, body preparation, viewing or visitation, coffin or urn, memorial stone, and transportation of the deceased. The status of the policy or contract as preneed insurance is determined at the time of issue in accordance with the policy form filing.

“*Ultimate 1980 CSO*” means the Commissioners’ 1980 Standard Ordinary Life Valuation Mortality Tables (1980 CSO) without ten-year selection factors, incorporated into the 1980 amendments to the NAIC Standard Valuation Law approved in December 1983.

191—95.5(508) Minimum valuation mortality standards. For preneed insurance contracts and similar policies and contracts, the minimum mortality standard for determining reserve liabilities and nonforfeiture values for both male and female insureds shall be the ultimate 1980 CSO.

191—95.6(508) Minimum valuation interest rate standards.

95.6(1) The interest rates used in determining the minimum standard for valuation of preneed insurance shall be the calendar year statutory valuation interest rates as described in Iowa Code section 508.36(5) “b.”

95.6(2) The interest rates used in determining the minimum standard for nonforfeiture values for preneed insurance shall be the calendar year statutory nonforfeiture interest rates as described in Iowa Code section 508.37(6) “i.”

191—95.7(508) Minimum valuation method standards.

95.7(1) The method used in determining the standard for the minimum valuation of reserves of preneed insurance shall be the method described in Iowa Code section 508.36.

95.7(2) The method used in determining the standard for the minimum nonforfeiture values for preneed insurance shall be the method described in Iowa Code section 508.37.

191—95.8(508) Transition rules.

95.8(1) For preneed insurance policies issued on or after [insert the effective date of this chapter] and before January 1, 2012, the 2001 CSO may be used as the minimum standard for reserves and minimum standard for nonforfeiture benefits for both male and female insureds.

95.8(2) If an insurer elects to use the 2001 CSO as a minimum standard for any policy issued on or after [insert the effective date of this chapter] and before January 1, 2012, the insurer shall provide, as a part of the actuarial opinion memorandum submitted in support of the company’s asset adequacy testing, an annual written notification to the domiciliary commissioner. The notification shall include:

- a. A complete list of all preneed policy forms that use the 2001 CSO as a minimum standard;
- b. A certification signed by the appointed actuary stating that the reserve methodology employed by the company in determining reserves for the preneed policies issued after the effective date and using the 2001 CSO as a minimum standard, develops adequate reserves. For the purposes of this certification, the preneed insurance policies using the 2001 CSO as a minimum standard cannot be aggregated with any other policies; and
- c. Supporting information regarding the adequacy of reserves for preneed insurance policies issued after [insert the effective date of this chapter] and using the 2001 CSO as a minimum standard for reserves.

95.8(3) Preneed insurance policies issued on or after January 1, 2012, must use the ultimate 1980 CSO in the calculation of minimum nonforfeiture values and minimum reserves.

191—95.9(508) Effective date. This chapter is applicable to preneed insurance policies and certificates and similar contracts and certificates, as specified in rule 95.2(508) of this chapter, issued on or after January 1, 2009.

These rules are intended to implement Iowa Code sections 508.36 and 508.37.